

**REPORT OF THE AUDIT OF THE
ANDERSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**



C R I T L U A L L E N
A U D I T O R O F P U B L I C A C C O U N T S

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Anthony D. Stratton, Anderson County Judge/Executive
Members of the Anderson County Fiscal Court

The enclosed report prepared by Mountjoy & Bressler, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements.

We engaged Mountjoy & Bressler, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Mountjoy & Bressler, LLP evaluated the Anderson County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ANDERSON COUNTY FISCAL COURT

June 30, 2005

Mountjoy & Bressler, LLP has completed the audit of the Anderson County Fiscal Court for fiscal year ended June 30, 2005.

We have issued an unqualified opinion on the governmental activities, each major fund, and aggregate remaining fund information of Anderson County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$3,423,465 as of June 30, 2005. The fiscal court had unrestricted net assets of \$1,331,170 in its governmental activities as of June 30, 2005. The fiscal court had total debt principal as of June 30, 2005 of \$2,607,380 with \$216,629 due within the next year.

Report Comments:

None.

Deposits:

The fiscal courts' deposits were insured and collateralized by bank securities or bonds.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
ANDERSON COUNTY OFFICIALS.....	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	11
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	14
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	22
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	27
NOTES TO FINANCIAL STATEMENTS.....	29
BUDGETARY COMPARISON SCHEDULES	43
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	48
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	50
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	54
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	59
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Anthony D. Stratton, Anderson County Judge/Executive
Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Anderson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Anderson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of June 30, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Anthony D. Stratton, Anderson County Judge/Executive
Members of the Anderson County Fiscal Court

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anderson County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2006 on our consideration of Anderson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

Audit fieldwork completed -
January 30, 2006

ANDERSON COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

Anthony D. Stratton	County Judge/Executive
Bobby Peach	Magistrate
Hubert Shields	Magistrate
Juretta Wells	Magistrate
Alton Warford	Magistrate
John Wayne Conway	Magistrate
Larry Smith	Magistrate

Other Elected Officials:

Bobbi Jo Lewis	County Attorney
Joani Clark	Jailer
Harold Ritchey	County Clerk
Jan Rogers	Circuit Court Clerk
Troy Young	Sheriff
Margaret Woodside	Property Valuation Administrator
Brian Ritchie	Coroner

Appointed Personnel:

W. Dudley Shryock	County Treasurer
Donna Eckman	Occupational Tax Collector
Heather Major	Finance Officer
Todd Sparrow	911 Administrator

Management's Discussion and Analysis

June 30, 2005

GASB 34 reporting requirements were first implemented by the Anderson County Fiscal Court for fiscal year ended June 30, 2004. Government-wide financial statements, this Management Discussion and Analysis, as well as other required supplementary information are new to the county audit package. The explanations and definitions found in the notes to the financial statements provide detailed information that is essential to a full understanding of the basic statements and their components.

Management's discussion and analysis of Anderson County's financial performance provides an overview of the County's financial activities for the fiscal year ending June 30, 2005.

Financial Highlights

The County collected \$2,319,963 in revenue and carried forward a balance of \$182,518 for a total of \$2,502,479 revenue in the General Fund. Expenses in the General Fund total \$1,960,538 plus transfers into the Communication Center Fund of \$70,194, for a total of \$2,030,732 in General Fund disbursements. The County showed a net gain of \$389,351 for the fiscal year.

The Road Fund collected \$964,258 in revenue and had a carryover of \$55,646 from the previous year. The total expenses for the year were \$1,172,121. The Road Fund's major expenses are in labor and benefits. Labor costs are primarily for maintaining over 200 miles of roads plus maintenance of the County's park system. Other expenses include equipment, fuel and materials necessary to maintain a safe road system throughout Anderson County.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Anderson County's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source and program expenses by function.

Government-wide Financial Statements

The government-wide financial statements are designed to provide reader with a broad overview of Anderson County's finances in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Anderson County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Anderson County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

**Anderson County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expense for good and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Anderson County's governmental activities include general government, protection to persons and property, roads, recreation and culture, general health and sanitation, and social services. The county does not have any business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Anderson County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Anderson County can be categorized into one broad category: governmental funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

Anderson County has 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Road Fund, AEMS Fund, Communications Center Fund, E-911 Cellular Fund, and Capital Outlay Fund, which are the major funds of the County. The Local Government Economic Assistance Fund, Jail Fund, Court Fine Courthouse Repair Fund, Emergency 911 Fund, Park Fund, Park Land Acquisition Fund, and the AOC Escrow Fund are considered non-major funds.

Anderson County adopts an annual appropriated budget for its major governmental funds. Budgetary comparison statements have been provided for the General Fund, Road Fund and AEMS Fund, E-911 Cellular Fund, Communication Center Fund and Capital Outlay Fund to demonstrate compliance with their budgets.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Anderson County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Financial Analysis

The Statement of Net Assets incorporates private sector business representations similar to a balance sheet. Assets that are greater than liabilities result in net assets that over time may be viewed as "owners (taxpayers) equity".

Land, buildings, infrastructure, furniture, equipment and vehicles have been valued after detailed research and development of capitalization criteria. These capital assets are compiled from prior and current year acquisitions.

The addition of noncurrent assets net of depreciation greatly increases our total governmental assets. Net noncurrent assets of \$4,699,675 Equals 78% of total governmental assets. Unrestricted assets of \$1,331,170 may be used to meet the government's ongoing obligations to its citizens and creditors.

Government Activities.

Anderson County's governmental activities include protection to persons and property, general government, general health and sanitation, roads, debt services, social services, recreation, and capital projects. Taxes and intergovernmental revenues support these functions.

The Statement of Activities matches expenditures with revenues by function. Examination of this financial statement can reveal to what extent general tax revenues are required to fund activities.

It is significant to note that Anderson County receives a significant portion of its funding from property taxes, county road aid from the state, and the insurance premium tax. These taxes are used to finance general government activities, road maintenance, jail operations, park operations, and supplement emergency medical services. E-911 collections are restricted as to how they can be spent and are separated from general unrestricted assets. Total net assets increased by \$993,478. This increase is a combination of additional capital assets and budget savings from operations.

Debt.

Anderson County's total indebtedness at the close of June 30, 2005 was \$2,607,301. Leases consisted of the AOC Courtroom \$1,094,000, County Park \$820,000, County Park Annex \$472,673, two ambulance leases \$29,996, road equipment \$167,011, and lighting for the baseball fields \$23,701. New debt was issued for road equipment during fiscal year 2005 that the Fiscal Court decided was necessary and while interest rates were still favorable (2.190%). Scheduled principal and interest payments were all paid fully, as well as timely.

Financial Analysis of County's Funds.

Anderson County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of June 30, 2005 fiscal year, the combined ending fund balances of County governmental funds was \$1,331,170. This amount represents an unreserved fund balance, which is available as working capital and for current spending in accordance with the purpose of the specific funds.

The County has 13 governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Anderson Emergency Medical Service Fund; 5) Park Fund; 6) Court Fine Courthouse Repair Fund; 7) Capital Outlay Fund; 8) Local Government Economic Assistance Fund; 9) AOC Escrow Fund; 10) E-911 Cellular Fund; 11) Emergency 911 Fund; 12) Communications Center Fund; 13) Park Land Acquisition Fund.

Anderson County
Management's Discussion and Analysis
June 30, 2005
(Continued)

1. The General Fund is the chief operating fund of Anderson County. This fund collected 99.2% of the amount budgeted for revenue receipts. Real and tangible property taxes were close to expectations, but distilled spirits taxes, litter fund, and juvenile housing per diem reimbursement were collectively \$108,466 short of projections. Expenditures were held to 83% of budgeted amounts showing Anderson County's willingness to control costs.
2. The Road Fund is responsible for infrastructure constructions, repairs, and maintenance. Revenues cover 82% of these expenditures, with the balance being supplied by transfers from the Capital Outlay Fund and prior year's surplus. This fund purchased equipment and made payments on financed equipment costing \$138,629.
3. Anderson County's jail was closed several years ago. The Jail Fund accounts for jail operations, primarily contracts with other counties and transport officers payroll. The Capital Outlay Fund supplements expenditures unreimbursed by state allowances. Transfers to the Jail Fund of \$510,032 represent 66% of insurance premium tax receipts for the fiscal year.
4. AEMS or Anderson Emergency Medical Services Fund originally budgeted \$1,057,152. As the year unfolded, \$169,152 of transfers from the Capital Outlay did not have to be transferred into the AEMS Fund because revenue receipts exceeded budget by 110%. Salaries and wages were the major expenditure again, with billing/collection, vehicle lease/purchase, vehicle fuel, and vehicle repairs/maintenance being next in order. Cost cutting efforts are never ending as Anderson County strives to balance cost with a state of the art emergency medical response system.
5. The Park Fund essentially finances its park department with insurance premium tax receipts. Transfers from the Capital Outlay Fund (\$306,934) represent 79% of the Park receipts. The only other sources of funds are facility rental, vending commissions, concession sales, and city contributions. Expenditures are dominated by debt service on the land, annex, and baseball lighting project. Maintenance, utilities, and salaries (Director, maintenance, concession workers, and umpires) take up most of the remaining budget.
6. The Court Fine Courthouse Repair Fund collected \$64,204 in fines and coupled them with a prior year surplus of \$21,344 and transfers from the General Fund totaling \$34,250. Courthouse repairs, maintenance, and utilities consumed \$103,704, leaving a surplus of \$16,094 to carryover into the next fiscal year.
7. The Capital Outlay Fund receives revenue from the insurance premium tax, business license fees, and interest on bank accounts within the fund. Insurance premium tax increased by \$108,373 or 16.2% over the prior year. The majority of the fund's money is transferred to other funds to operate their budgets. Occasional refunds to insurance companies and program support for the University of Kentucky Extension Service (\$70,400) are the only budgeted disbursements from this fund.
8. Local Government Economic Assistance (LGEA) Fund consists of mineral and coal severance taxes collected by the State and passed on to the County. Anderson County uses these funds to supplement its road maintenance and also to provide support to the public advocacy program and adult literacy center.
9. Numerous restrictions are placed on the E-911 Cellular Fund disbursements. Of the \$234,326 available receipts, only \$38,031 was spent on 911 equipment, maintenance, and repairs. A relatively large carryover exists, amounting to \$190,998, which is restricted to allowable 911 projects.

**Anderson County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

10. The 911 Fund was designed to track telephone tax and restrict spending to related 911 project expenditures. The tax brought in \$142,813 and disbursed \$100,949, resulting in a surplus of \$33,270 that must be carried forward in a manner that restricts the spending to 911 related expenditures.
11. Communications Center Fund was established to receive dispatch revenue (\$276,194), pay related expenses (salaries, fringe benefits, equipment, utilities, etc.) and use the remainder to pay off the debt for the park land annex purchase.
12. The Park Land Acquisition Fund was seldom used during the fiscal year ended June 30, 2005. It was intended to receive donations from the public and use these donations to improve the park infrastructure. Unfortunately, the optimistically anticipated donations did not arrive during this fiscal year.

Budgetary Highlights.

The County's budget was amended during the fiscal year to incorporate unforeseen circumstances. Material changes in the General Fund include collections of unexpected real estate property taxes, excess fees from fee officials, an animal shelter grant, additional garbage franchise fee, and unbudgeted reimbursements. These additional funds were appropriated to pay the debt service on the District Courtroom and reserved for transfer to various accounts that had needs over and above the original budget. Road Fund amendments included additional county road aid received from the state for highway paving and patching, extra truck license fees, and miscellaneous receipts, which were put to use in the highway paving and patching along with equipment purchase categories. Funds had to be transferred into the Jail Fund from the Capital Outlay Fund to pay contractual jail inmate housing costs. Additional appropriations had to be transferred from the Capital Outlay Fund to the Park Fund to cover ground maintenance, utilities, and the park lighting project. Court Fines Courthouse Repair Fund needed to use prior year surplus that was not originally appropriated do to supplement courthouse repair expenses. Insurance premium taxes exceeded budgeted amounts and were used as transfers to other funds as needed.

Requests for Information.

This required supplementary information report provides a general overview of Anderson County Fiscal Court's finances. Questions concerning any of the information provided or requests for additional financial information should be addressed to the Anderson County Treasurer, 137 South Main Street, Lawrenceburg, KY 40342.

ANDERSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

ANDERSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,331,170
Total Current Assets	<u>1,331,170</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	1,096,319
Buildings	2,251,113
Other Equipment	140,544
Vehicles and Equipment	439,090
Infrastructure Assets - Net of Depreciation	<u>772,609</u>
Total Noncurrent Assets	<u>4,699,675</u>
Total Assets	<u>6,030,845</u>
LIABILITIES	
Current Liabilities	
Financing Obligations	<u>216,629</u>
Total Current Liabilities	<u>216,629</u>
Noncurrent Liabilities:	
Financing Obligations	<u>2,390,751</u>
Total Noncurrent Liabilities	<u>2,390,751</u>
Total Liabilities	<u>2,607,380</u>
Unrestricted	<u>1,331,170</u>
Total Net Assets	<u>\$ 3,423,465</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

ANDERSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005

ANDERSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,671,230	\$ 143,831	\$ 408,144	\$
Protection to Persons and Property	1,773,556	1,248,506	185,754	
General Health and Sanitation	197,301	165,855	2,000	
Social Services	46,916		92,548	
Recreation and Culture	466,988	73,296		
Roads	424,144		745,359	
Debt Service	307,822			
Capital Projects	68,192			21,416
Total Governmental Activities	4,956,149	1,631,488	1,433,805	21,416
Total Primary Government	\$ 4,956,149	\$ 1,631,488	\$ 1,433,805	\$ 21,416

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Insurance Premium Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets	
Primary Government	
Governmental Activities	Totals
\$ (1,119,255)	\$ (1,119,255)
(339,297)	(339,297)
(29,445)	(29,445)
45,632	45,632
(393,692)	(393,692)
321,215	321,215
(307,822)	(307,822)
(46,777)	(46,777)
(1,869,441)	(1,869,441)
(1,869,441)	(1,869,441)
998,327	998,327
75,583	75,583
141,493	141,493
777,100	777,100
367,745	367,745
113,714	113,714
373,310	373,310
15,647	15,647
2,862,919	2,862,919
993,478	993,478
2,429,987	2,429,987
\$ 3,423,465	\$ 3,423,465

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

ANDERSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
JUNE 30, 2005

ANDERSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

JUNE 30, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>AEMS Fund</u>	<u>Communication Center Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 582,574	\$ (754)	\$ 37,820	\$ 186,748
Total Assets	<u>\$ 582,574</u>	<u>\$ (754)</u>	<u>\$ 37,820</u>	<u>\$ 186,748</u>
FUND BALANCES				
Unreserved:				
General Fund	\$ 582,574	\$	\$	\$
Special Revenue		(754)	37,820	186,748
Debt Service				
Capital Projects				
Total Fund Balances	<u>\$ 582,574</u>	<u>\$ (754)</u>	<u>\$ 37,820</u>	<u>\$ 186,748</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
 BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 JUNE 30, 2005
 (Continued)

E-911 Cellular Fund	Capital Outlay Fund	Non- Major Funds	Total Governmental Funds
\$ 190,998	\$ 169,051	\$ 164,733	\$ 1,331,170
\$ 190,998	\$ 169,051	\$ 164,733	\$ 1,331,170
\$ 190,998	\$	\$ 143,013	\$ 582,574
		21,016	557,825
	169,051	704	21,016
			169,755
\$ 190,998	\$ 169,051	\$ 164,733	\$ 1,331,170

Reconciliation to Statement of Changes In Net Assets:

Total Fund Balances	\$ 1,331,170
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	6,187,683
Accumulated Depreciation	(1,488,008)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(2,607,380)
Net Assets Of Governmental Activities	\$ 3,423,465

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

ANDERSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

ANDERSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>AEMS Fund</u>	<u>Communication Center Fund</u>
REVENUES				
Taxes	\$ 1,408,230	\$	\$	\$
Excess Fees	113,714			
Licenses and Permits	92,946			
Intergovernmental	253,561	871,647	10,689	
Charges for Services	165,856		942,550	
Miscellaneous	281,017	92,548	25,314	276,194
Interest	4,637	63		767
Total Revenues	<u>2,319,961</u>	<u>964,258</u>	<u>978,553</u>	<u>276,961</u>
EXPENDITURES				
General Government	655,997			
Protection to Persons and Property	194,363		897,115	
General Health and Sanitation	197,301			
Social Services	25,500			
Recreation and Culture				103,314
Roads		1,110,092		
Debt Service	46,296		34,934	32,999
Capital Projects		68,192		
Administration	841,081	70,437		
Total Expenditures	<u>1,960,538</u>	<u>1,248,721</u>	<u>932,049</u>	<u>136,313</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>359,423</u>	<u>(284,463)</u>	<u>46,504</u>	<u>140,648</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds		76,600		
Transfers From Other Funds	110,827	153,463		82,467
Transfers To Other Funds	(70,194)			(36,367)
Total Other Financing Sources (Uses)	<u>40,633</u>	<u>230,063</u>		<u>46,100</u>
Net Change in Fund Balances	400,056	(54,400)	46,504	186,748
Fund Balances - Beginning	182,518	53,646	(8,684)	
Fund Balances - Ending	<u>\$ 582,574</u>	<u>\$ (754)</u>	<u>\$ 37,820</u>	<u>\$ 186,748</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 For The Year Ended June 30, 2005
 (Continued)

<u>E-911 Cellular Fund</u>	<u>Capital Outlay Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$	\$ 777,100	\$ 142,813	\$ 2,328,143
			113,714
	27,641		120,587
		302,626	1,438,523
		64,423	1,172,829
99,059		35,081	809,213
	10,180	658	16,305
<u>99,059</u>	<u>814,921</u>	<u>545,601</u>	<u>5,999,314</u>
	11	103,704	759,712
38,031		688,512	1,818,021
			197,301
		21,416	46,916
	76,200	287,477	466,991
			1,110,092
		193,592	307,821
			68,192
			911,518
<u>38,031</u>	<u>76,211</u>	<u>1,294,701</u>	<u>5,686,564</u>
<u>61,028</u>	<u>738,710</u>	<u>(749,100)</u>	<u>312,750</u>
			76,600
5,206		(8,594)	343,369
	(1,088,023)	851,216	(343,368)
<u>5,206</u>	<u>(1,088,023)</u>	<u>842,622</u>	<u>76,601</u>
66,234	(349,313)	93,522	389,351
124,764	518,364	71,211	941,819
<u>\$ 190,998</u>	<u>\$ 169,051</u>	<u>\$ 164,733</u>	<u>\$ 1,331,170</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**ANDERSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

**ANDERSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	389,351
--	----	---------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		653,815
Depreciation Expense		(206,466)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while financing obligations payments are expensed in the Governmental Funds. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds		(76,600)
Financing Obligations Payments		<u>233,378</u>

Change in Net Assets of Governmental Activities	\$	<u><u>993,478</u></u>
---	----	-----------------------

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	29
NOTE 2.	DEPOSITS AND INVESTMENTS	33
NOTE 3.	CAPITAL ASSETS	34
NOTE 4.	SHORT-TERM DEBT	35
NOTE 5.	LONG-TERM DEBT.....	30
NOTE 6.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS	39
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	39
NOTE 8.	DEFERRED COMPENSATION	40
NOTE 9.	INSURANCE	40

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Anderson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service.

C. Anderson County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Anderson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Anderson County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

**ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

AEMS Fund - The primary purpose of this fund is to account for the emergency medical response system of the county. The primary sources of revenue for this fund are AEMS Collections, borrowed funds, and transfers from the Capital Outlay Fund.

Capital Outlay Fund - The primary purpose of this fund is to help maintain other funds. The primary sources of revenue are insurance premium tax. The majority of the fund's money is transferred to other funds to operate their budgets.

Emergency 911 Cellular Fund - The purpose of this fund is to account for wireless 911 cellular revenues and disbursements. The sole source of revenue for this fund E-911 cellular receipts.

Communication Center Fund - The primary purpose of this fund is to account for dispatch revenue received within the county. The funds primary source of revenue is dispatch revenue.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, Park Fund, Court Fine Courthouse Repair Fund, Emergency 911 Fund, Park Land Acquisition Fund, AOC Escrow Fund, and Escrow fund.

Special Revenue Funds:

The Road Fund, AEMS Fund, Communication Center Fund, Emergency 911 Cellular Fund, LGEA Fund, Jail Fund, Park Fund, Court Fine Courthouse Repair fund, Escrow fund and the Emergency 911 fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Funds:

Capital Projects Funds account for financial resources to be used acquisition of major capital facilities. The Capital Outlay Fund and the Park Land Acquisition Fund are reported as Capital Project Funds.

Debt Service Fund:

Debt Service Fund accounts for the accumulation of resources for the payment of long-term principal and interest and includes funds for the AOC Escrow Fund. This fund was established to hold money deposited by the Administrative Office of the Courts (AOC) to provide for their portion of the debt service obligation for the courthouse renovation as agreed upon in a sublease agreement with the county. AOC deposits the biannual required amount, then the trustee made the debt service payment directly to Kentucky Association of Counties Leasing Trust (KACOLT). The county pays KACOLT for the remainder of the debt service requirement out of the General Fund.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 10,000	40
Buildings and Building Improvements	\$ 25,000	40
Machinery and Equipment	\$ 10,000	10
Vehicles	\$ 10,000	10
Infrastructure	\$ 20,000	10

G. Long-term Obligations

In the government-wide financial statements and proprietary fund in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Deposits and Investments

A. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005 all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Primary Government		
	Beginning Balance	Increases	Decreases
Primary Government:			
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,096,319	\$	\$ 1,096,319
Total Capital Assets Not Being Depreciated	1,096,319		1,096,319
Capital Assets, Being Depreciated:			
Buildings	2,898,888		2,898,888
Other Equipment	247,662	67,084	314,746
Vehicles and Equipment	1,017,047	44,467	1,061,514
Infrastructure	273,952	542,264	816,216
Total Capital Assets Being Depreciated	4,437,549	653,815	5,091,364
Less Accumulated Depreciation For:			
Buildings	(576,417)	(71,358)	(647,775)
Other Equipment	(150,727)	(23,475)	(174,202)
Vehicles and Equipment	(543,440)	(78,984)	(622,424)
Infrastructure	(10,958)	(32,649)	(43,607)
Total Accumulated Depreciation	(1,281,542)	(206,466)	(1,488,008)
Total Capital Assets, Being Depreciated, Net	3,156,007	447,349	3,603,356
Governmental Activities Capital Assets, Net	\$ 4,252,326	\$ 447,349	\$ 4,699,675

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 102,643
Protection to Persons and Property	40,721
Recreation and Culture	1,787
Roads, Including Depreciation of General Infrastructure Assets	<u>61,315</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 206,466</u></u>

Note 4. Short-term Debt

In July 2004, the County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$913,900 for its General Fund and \$20,400 for its Road Fund, with the principal being due in January 2005. While the County did not use the borrowed funds in order to meet current General Fund or Road Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$2,807 for the General Fund and \$63 for the Road Fund.

Note 5. Long-term Debt

A. Courthouse Annex

Anderson County entered into a \$1,448,000 lease agreement on June 24, 1997, with the Kentucky Association of Counties Leasing Trust for the construction of a courthouse annex. The agreement requires monthly interest payments and an annual principal payment due each January 20. The following schedule indicates principal and interest payments according to the original lease agreement. The outstanding principal balance was \$1,094,000 as of June 30, 2005. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 61,000	\$ 53,429
2007	65,000	50,296
2008	77,000	46,796
2009	81,000	42,863
2010	85,000	38,729
2011-2015	492,000	124,149
2016-2017	<u>233,000</u>	<u>12,746</u>
Totals	<u><u>\$ 1,094,000</u></u>	<u><u>\$ 369,008</u></u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

B. Anderson County Park Project

Anderson County entered into a \$950,000 lease agreement on June 18, 2001, with the Kentucky Association of Counties Leasing Trust for the completion of the Anderson County Park project. The agreement requires monthly interest payments and an annual principal payment due each January 20. The effective interest rate is 4.38%, and the agreement is to be paid in full by January 20, 2021. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$820,000 as of June 30, 2005. Future principal and interest requirement are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 35,000	\$ 37,855
2007	40,000	36,112
2008	40,000	34,232
2009	40,000	32,352
2010	45,000	30,374
2011-2015	245,000	119,047
2016-2020	305,000	54,657
2021	70,000	1,919
Totals	<u>\$ 820,000</u>	<u>\$ 346,548</u>

C. Ambulance

Anderson County entered into a \$50,000 lease agreement on November 8, 2002, with the Kentucky Association of Counties Leasing Trust to purchase an ambulance. The agreement requires monthly principal and interest payments. The effective interest is 3.19%, and the agreement is to be paid in full by November 20, 2005. The following schedule indicates the required principal and interest payments according to the original lease agreements. The outstanding principal balance was \$7,216 as of June 30, 2005. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 7,216	\$ 41
Totals	<u>\$ 7,216</u>	<u>\$ 41</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

D. Sports Lighting System

Anderson County entered into a \$71,400 lease agreement on September 3, 2002, with the Kentucky Association of Counties Leasing Trust to purchase a sports lighting system. The agreement requires annual principal and interest payments due each September 1. The effective interest rate is 6.42%, and the agreement is to be paid in full by September 1, 2005. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$23,701 as of June 30, 2005. Future principal and interest requirements are:

<u>Series 1996</u>	Sports Lighting Equipment	
	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
<u>Fiscal Year Ended</u> <u>June 30</u>		
2006	\$ 23,701	\$ 1,625
Totals	<u>\$ 23,701</u>	<u>\$ 1,625</u>

E. Ambulance

Anderson County entered into a \$50,000 lease agreement on October 9, 2003, with the Kentucky Association of Counties Leasing Trust to purchase an ambulance. The agreement requires monthly principal and interest payments. The effective interest rate is 2.25%, and the agreement is to be paid in full by October 20, 2006. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$22,780 as of June 30, 2005. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 16,999	\$ 338
2007	5,781	27
Totals	<u>\$ 22,780</u>	<u>\$ 365</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

F. Park Land

Anderson County entered into a \$499,000 lease agreement on January 9, 2004, with the Kentucky Association of Counties Leasing Trust to purchase park land. The agreement requires monthly principal and interest payments. The effective interest rate is 2.25%, and the agreement is to be paid in full by January 20, 2024. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance \$472,673 as of June 30, 2005. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 19,271	\$ 10,435
2007	19,760	10,026
2008	22,007	9,581
2009	21,091	8,962
2010	21,735	8,547
2011-2015	118,046	34,820
2016-2020	138,370	22,013
2021-2024	112,393	4,731
Totals	<u>\$ 472,673</u>	<u>\$ 109,116</u>

G. Road Equipment

Anderson County entered into a \$164,981 lease agreement on January 22, 2004, with the Kentucky Association of Counties Leasing Trust to purchase road equipment. The agreement requires monthly principal and interest payments. The effective interest rate is 2.18%, and the agreement is to be paid in full by February 20, 2009. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$123,482 as June 30, 2005. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2006	\$ 27,183	\$ 3,088
2007	33,250	2,488
2008	34,298	1,675
2009	28,752	107
Totals	<u>\$ 123,483</u>	<u>\$ 7,358</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

H. Road Equipment

Anderson County entered into a \$76,600 lease agreement on July 7, 2004, with the Kentucky Association of Counties Leasing Trust to purchase road equipment. The agreement requires monthly principal and interest payments. The effective interest rate is 2.19%, and the agreement is to be paid in full July 20, 2006. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$43,528 as of June 30, 2005. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	43,528	1,355
Totals	\$ 43,528	\$ 1,355

I. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 2,764,158	\$ 76,600	\$ 233,378	\$ 2,607,380	\$ 216,629
Governmental Activities					
Long-term Liabilities	\$ 2,764,158	\$ 76,600	\$ 233,378	\$ 2,607,380	\$ 216,629

Note 6. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$307,822 in interest on financing obligations.

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

**ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

Note 7. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

On February 24, 2000, the Anderson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2005, Anderson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,331,500	\$ 1,423,500	\$ 1,408,230	\$ (15,270)
Excess Fees		113,000	113,714	714
Licenses and Permits	81,000	81,000	92,946	11,946
Intergovernmental Revenue	216,900	285,900	253,561	(32,339)
Charges for Services	137,660	159,660	165,856	6,196
Miscellaneous	150,000	283,000	281,017	(1,983)
Interest	5,800	5,800	4,637	(1,163)
Total Revenues	<u>1,922,860</u>	<u>2,351,860</u>	<u>2,319,961</u>	<u>(31,899)</u>
EXPENDITURES				
General Government	560,326	560,326	655,997	(95,671)
Protection to Persons and Property	203,373	203,373	194,363	9,010
General Health and Sanitation	200,678	200,678	197,301	3,377
Social Services	27,125	27,125	25,500	1,625
Debt Service	33,000	79,300	46,296	33,004
Administration	862,705	1,291,705	841,081	450,624
Total Expenditures	<u>1,887,207</u>	<u>2,362,507</u>	<u>1,960,538</u>	<u>401,969</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>35,653</u>	<u>(10,647)</u>	<u>359,423</u>	<u>370,070</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		46,300	110,827	64,527
Transfers To Other Funds	(125,653)	(125,653)	(70,194)	55,459
Total Other Financing Sources (Uses)	<u>(125,653)</u>	<u>(79,353)</u>	<u>40,633</u>	<u>119,986</u>
Net Changes in Fund Balance	(90,000)	(90,000)	400,056	490,056
Fund Balance - Beginning	<u>90,000</u>	<u>90,000</u>	<u>182,518</u>	<u>92,518</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 582,574</u>	<u>\$ 582,574</u>

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 690,498	\$ 885,565	\$ 871,647	\$ (13,918)
Miscellaneous	14,400	90,400	92,548	2,148
Interest			63	63
Total Revenues	<u>704,898</u>	<u>975,965</u>	<u>964,258</u>	<u>(11,707)</u>
EXPENDITURES				
Roads	713,361	1,125,261	1,033,492	91,769
Capital Projects	15,000	24,167	68,192	(44,025)
Administration	70,000	70,000	70,437	(437)
Total Expenditures	<u>798,361</u>	<u>1,219,428</u>	<u>1,172,121</u>	<u>47,307</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(93,463)</u>	<u>(243,463)</u>	<u>(207,863)</u>	<u>35,600</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>83,463</u>	<u>233,463</u>	<u>153,463</u>	<u>(80,000)</u>
Total Other Financing Sources (Uses)	<u>83,463</u>	<u>233,463</u>	<u>153,463</u>	<u>(80,000)</u>
Net Changes in Fund Balance	(10,000)	(10,000)	(54,400)	(44,400)
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>53,646</u>	<u>43,646</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (754)</u>	<u>\$ (754)</u>

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	AEMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 11,000	\$ 11,000	\$ 10,689	\$ (311)
Charges for Services	850,000	850,000	942,550	92,550
Miscellaneous	27,000	27,000	25,314	(1,686)
Total Revenues	<u>888,000</u>	<u>888,000</u>	<u>978,553</u>	<u>90,553</u>
EXPENDITURES				
Protection to Persons and Property	1,004,781	1,004,781	897,115	107,666
Capital Projects	52,371	52,371	34,934	17,437
Total Expenditures	<u>1,057,152</u>	<u>1,057,152</u>	<u>932,049</u>	<u>125,103</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(169,152)</u>	<u>(169,152)</u>	<u>46,504</u>	<u>215,656</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>169,152</u>	<u>169,152</u>		<u>(169,152)</u>
Total Other Financing Sources (Uses)	<u>169,152</u>	<u>169,152</u>		<u>(169,152)</u>
Net Changes in Fund Balance			46,504	46,503
Fund Balance - Beginning			<u>(8,684)</u>	<u>(8,684)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,820</u>	<u>\$ 37,819</u>

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

E-911 CELLULAR FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 45,000	\$ 45,000	\$ 99,059	\$ 54,059
Total Revenues	45,000	45,000	99,059	54,059
EXPENDITURES				
Protection to Persons and Property	45,000	45,000	38,031	6,969
Total Expenditures	45,000	45,000	38,031	6,969
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)			61,028	61,028
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			5,206	5,206
Total Other Financing Sources (Uses)			5,206	5,206
Net Changes in Fund Balances			66,234	66,234
Fund Balances - Beginning			124,764	124,764
Fund Balances - Ending	\$ 0	\$ 0	\$ 190,998	\$ 190,998

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

COMMUNICATION CENTER FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 240,000	\$ 240,000	\$ 276,194	\$ 36,194
Interest			767	767
Total Revenues	240,000	240,000	276,961	36,961
EXPENDITURES				
Protection to Persons and Property	164,160	164,160	103,314	60,846
Debt Service	33,317	33,317	32,999	318
Total Expenditures	197,477	197,477	136,313	61,164
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	42,523	42,523	140,648	98,125
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			82,467	82,467
Transfers To Other Funds	(42,523)	(42,523)	(36,367)	6,156
Total Other Financing Sources (Uses)	(42,523)	(42,523)	46,100	88,623
Net Changes in Fund Balances			186,748	186,748
Fund Balances - Beginning				
Fund Balances - Ending	\$ 0	\$ 0	\$ 186,748	\$ 186,748

ANDERSON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2005

1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

2. Reconciliation of Road Fund

Roads-Budgetary Basis	1,033,492
Plus: Purchase of Road Equipment from Financing Obligation Proceeds	<u>76,600</u>
Roads-Modified Cash Basis	<u><u>1,110,092</u></u>
Other Financing Sources (Uses)- Budgetary Basis	153,463
Plus: Financing Obligation Proceeds	<u>76,600</u>
Other Financing Sources (Uses)- Modified Cash Basis	<u><u>230,063</u></u>

**ANDERSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2005

ANDERSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	LGEA Fund	Jail Fund	Park Fund	Court Fine Courthouse Repair Fund
ASSETS				
Cash and Cash Equivalents	\$ 71,870	\$ (12,775)	\$ 2,840	\$ 16,094
Total Assets	<u>\$ 71,870</u>	<u>\$ (12,775)</u>	<u>\$ 2,840</u>	<u>\$ 16,094</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 71,870	\$ (12,775)	\$ 2,840	\$ 16,094
Debt Service Fund				
Capital Projects Fund				
Total Fund Balances	<u>\$ 71,870</u>	<u>\$ (12,775)</u>	<u>\$ 2,840</u>	<u>\$ 16,094</u>

ANDERSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2005
(Continued)

Escrow Fund	Emergency 911 Fund	Park Land Acquisition Fund	AOC Escrow Fund	Total Non-Major Governmental Funds
<u>\$ 31,715</u>	<u>\$ 33,270</u>	<u>\$ 704</u>	<u>\$ 21,015</u>	<u>\$ 164,733</u>
<u>\$ 31,715</u>	<u>\$ 33,270</u>	<u>\$ 704</u>	<u>\$ 21,015</u>	<u>\$ 164,733</u>
\$ 31,715	\$ 33,270	\$	\$	\$ 143,014
			21,015	21,015
		704		704
<u>\$ 31,715</u>	<u>\$ 33,270</u>	<u>\$ 704</u>	<u>\$ 21,015</u>	<u>\$ 164,733</u>

THIS PAGE LEFT BLANK INTENTIONALLY

ANDERSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

ANDERSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	LGEA Fund	Jail Fund	Park Fund	Court Fine Courthouse Repair Fund
REVENUES				
Taxes	\$	\$	\$	\$
Intergovernmental	76,663	56,711	2,500	64,204
Charges for Service		6,798	57,625	
Miscellaneous			28,306	
Interest				
Total Revenues	<u>76,663</u>	<u>63,509</u>	<u>88,431</u>	<u>64,204</u>
EXPENDITURES				
General Government				103,704
Protection to Persons and Property	2,789	584,774		
Social Services				
Recreation and Culture	4,000		276,521	
Debt Service			108,019	
Total Expenditures	<u>6,789</u>	<u>584,774</u>	<u>384,540</u>	<u>103,704</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>69,874</u>	<u>(521,265)</u>	<u>(296,109)</u>	<u>(39,500)</u>
Other Financing Sources (Uses)				
Transfers To Other Funds				
Transfers From Other Funds		510,032	306,934	34,250
Total Other Financing Sources (Uses)		<u>510,032</u>	<u>306,934</u>	<u>34,250</u>
Net Change in Fund Balances	69,874	(11,233)	10,825	(5,250)
Fund Balances - Beginning	1,996	(1,542)	(7,985)	21,344
Fund Balances - Ending	<u>\$ 71,870</u>	<u>\$ (12,775)</u>	<u>\$ 2,840</u>	<u>\$ 16,094</u>

ANDERSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005
(Continued)

Escrow Fund	Emergency 911 Fund	CDBG Fund	Park Land Acquisition Fund	AOC Escrow Fund	Total Non-Major Governmental Funds
\$	\$ 142,813	\$ 21,416	\$	\$ 81,132	\$ 142,813
					302,626
			6,775		64,423
			3	655	35,081
					658
	142,813	21,416	6,778	81,787	545,601
					103,704
	100,949				688,512
		21,416			21,416
			6,956		287,477
				85,573	193,592
	100,949	21,416	6,956	85,573	1,294,701
	41,864		(178)	(3,786)	(749,100)
	(8,594)				(8,594)
					851,216
	(8,594)				842,622
	33,270		(178)	(3,786)	93,522
31,715			882	24,801	71,211
\$ 31,715	\$ 33,270	\$ 0	\$ 704	\$ 21,015	\$ 164,733

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Anthony D. Stratton, Anderson County Judge/Executive
Members of the Anderson County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 30, 2006. Anderson County prepares its financial statements in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anderson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting
And On Compliance and Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

Audit fieldwork completed -
January 30, 2006

.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

ANDERSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2005**

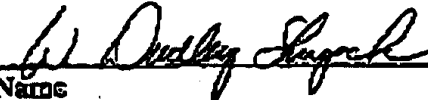
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
ANDERSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Anderson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer